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THE CANADIAN TRADE
AGREEMENT AND
AGRICULTURE IN THE
NORTH CENTRAL STATES

The twelve north central States -- comprising the primary corn-hog producing areas, the eastern wheat-belt States, and some of the country's important general farming, dairy, fruit and vegetable regions -- have both a direct and indirect interest in the recently completed trade agreement between the United States and Canada, according to Secretary of Agriculture Henry A. Wallace.

Liberal tariff concessions are made by Canada under the agreement, which were asked by the American government in order to stimulate the sale of meats, particularly pork and lard, and fruits and vegetables. The increased sale of industrial goods to Canada, expected to result from the extensive concessions that have been made for non-farm products has an indirect interest to American farmers because of the close relationship that exists between increases in factory payrolls and in farm income from domestically consumed agricultural products.

Direct Benefits

The trade agreement offers lower Canadian duties to American livestock producers on many meat products, giving them an opportunity to regain at least a portion of the lost Canadian market for meats.

The agreement brings the following concessions for meats and livestock:

Fresh beef & veal -- Duty reduced from 8¢ to 6¢ per pound.
Fresh lamb & mutton-- " " " " " " " "
Fresh pork -- Duty reduced from 5¢ to 2-1/2¢ per pound.
Canned meat & extract -- 35 percent ad valorem reduced to 30 percent.
Cured & pickled pork -- Duty reduced from 5¢ to 1-3/4¢ per pound.
Lard -- Duty reduced from 2¢ to 1-3/4¢ per pound.
Sausage casings -- Ad valorem duty of 17-1/2 percent reduced to 15 percent.
Tallow -- Duty reduced from 20 percent to 17-1/2 percent.
Live hogs -- Duty cut from 3 cents per pound to 1-1/4¢.
Live cattle -- " " " " " " " " 2¢.
Live sheep -- Duty cut from $3.00 per head to $2.00.
Horses -- Duty cut from $25.00 per head to $12.50.

In 1929, the Canadian market took about $5,600,000 of United States preserved and fresh meat products. After 1930 the Canadian duty rates were generally raised and the trade fell off. The fiscal year ending March 31, 1935 showed only $337,000 of such purchases by Canada.

The concessions are perhaps most important on cured and pickled pork, of which Canada imported about 19,000,000 pounds -- the product of at least 271,000 average hogs -- in 1929, and only 4 million pounds in 1933-34. A reduction of the lard duty may stimulate further expansion in this product's outlet. Canadian lard imports have not been large, but have increased from under a million pounds in 1929-30 to nearly 3 million pounds -- or the product from about 85,000-230-pound hogs, in 1934.

The United States makes concessions on several livestock items. The duties on beef cattle weighing over 700 pounds is reduced from 3 to 2 cents per pound, and on calves under 175 pounds from 2-1/2 to 1-1/2 cents per pound.

Secretary Wallace has pointed out that the number of cattle in Canada in 1934 numbered only 5 million head, excluding dairy stock, as compared with 40 million in the United States, and he believes that

therefore it would be impossible for Canada to supply any large number to the United States. In order to protect against lower American beef prices, the number of cattle that may be imported in any one year is limited by quota to 155,799 head, or less than one percent of the average slaughter in the United States. 51,933 calves may be imported per year -- one-fourth of one percent of the total average slaughter.

Livestock feeds:

The following concessions have been made in the agreement in regard to livestock feeds:

Concessions by Canada

Barley ---- Reduction of duty from 25¢ to 22-1/2¢ per bushel.
Corn ------ Duty reduced from 25¢ to 20¢ per bushel
Oats ------ Duty reduced from 16¢ to 9¢ per bushel
Hay ------- Duty reduced from $5.00 to $1.75 per ton.
Soybeans -- Placed on free list. Duty has been 25 percent ad valorem.

Concessions by United States

Hay ------- Duty reduced from $5 to $3 per ton.
Wheat ----- For feed, bran shorts, mixed feeds, and screenings. To be maintained at present rate of 10 percent ad valorem.

The provisions of the agreement in regard to livestock feeds are more or less of a matter of protection to growers and feeders in years when either country has a shortage, an analysis of the agreement shows. The United States, however, has maintained the duties on the principal cash grain crops, the duty on wheat still being 42 cents, on corn 25 cents, and on rye 15 cents. The concessions made do not figure largely in the normal trade between the two nations, because both are important producers of the main grain and hay crops, and in years of normal production there is a low volume of trade between the two countries. However, in times of shortage, such as that caused by drought, the lower duties act as

insurance for the farmers in the two countries who have to buy most of their feeds. The lower rates make it possible in times of crop shortage for farmers to buy feeds at somewhat lower prices than they would otherwise have to pay.

Our largest corn exports to Canada -- 10 million bushels -- were in 1927 and 1929, years when the Canadian crop was short and there was a low production of Canadian barley, oats and rye. Similarly, Canadian hay and feed grains helped to alleviate the 1934 drought in the United States.

Practically all of the hay coming into this country comes from Canada, and is used principally in the northeastern States. In the past such imports have been very small in comparison to total amounts produced in those regions.

The placing of soybeans on the Canadian free list is also important, especially to Illinois, Indiana, and Missouri, as this crop is growing in favor in this country and development of a larger Canadian market should further stimulate it.

Fruits & Vegetables

The trade agreement removes many of the tariff restrictions that hampered the sale of fruits and vegetables to Canada after 1930. The basic duty on fresh vegetables prior to 1930 was 30 percent ad valorem, while on fresh fruits it was 20 percent. After that year there was added to the basic duties such charges as minimum specific duties, chargeable during the season when the Canadian crop was being marketed and arbitrary additions to invoice valuations, known as "advanced valuations".

These increased duties contributed to a decline in Canadian purchases of American fruits and vegetables from $28,000,000 in 1929 to around $11,000,000 in the 1935 fiscal year.

Of particular interest to fruit and vegetable growers in the North Central States, are the following concessions made by Canada in the agreement:

Fresh Vegetables:

1. Basic ad valorem rates reduced from 30 to 15 percent.
2. Most minimum specific duties are cancelled.
3. Advanced valuations are eliminated on some vegetables. Where retained this is limited to 80 percent of previous figure.

4. Six vegetables put on free list.

Potatoes ---- Duty of 75 cents per 100 weight eliminated. Placed on free list.
Cabbage ----- Duty reduced to 15 percent. Minimum specific duty of 1 cent per pound waived.
Tomatoes ---- Duty reduced to 15 percent. Minimum specific duty of 2 cents per pound retained.
Onions ------ Duty remains at 30 percent, but minimum specific duty of 3/4¢ per pound removed.
Peas -------- Duty reduced to 15 percent.
Celery ------ Duty reduced to 15 percent and minimum specific duty of 2¢ per pound eliminated.

Fruits:

Apples ------ Duty of 20 percent ad valorem reduced to 15 percent. Minimum specific duty of 3/5¢ waived.
Peaches ----- Duty reduced to 15 percent, minimum specific duty of 1-1/4¢ per pound waived.
Grapes ------ Duty reduced from 2 cents to 1-1/2 cents per pound.
Cherries ---- Duty reduced to 15 percent and minimum specific duty of 2 cents per pound waived.

Advanced valuations are retained on apples, cherries, grapes, peaches, cabbage, onions and peas, but at rates 20 percent below the present rates.

Indirect Effects

On the basis of total United States export trade in relation to Canadian trade, it is estimated that the North Central group of States

sold $199,429,000 worth of both industrial and agricultural products in Canada in 1929, as compared to $53,502,000 in 1932. This was the approximate share of this region's trade in the total United States sales to Canada which reached $868,000,000 in 1929, and fell to around $351,000,000 in 1932.

The reduction in the Canadian tariffs on non-farm products affect products of which Canada purchased about $400,000,000 in 1929, but only about $100,000,000 in 1934-35.

Secretary Wallace has expressed the opinion that the agreement makes possible the gradual recapture of at least a part of the previous market for non-farm products.

He has concluded that if as much as 300 million dollars of annual trade were ultimately regained, approximately half of the increase would go into factory wages, directly or indirectly, and that in turn, this increased purchasing power would mean an increase of approximately the same amount in farm cash income. Translated into increased income for States, according to past relationships between their farm cash income and factory payrolls, this would mean an addition of about 3 to 7 million dollars to the annual farm cash income of each State in the North Central Group.

Dairy Products.

The restoration of the Canadian market for non-farm products, with resulting increased purchasing power for wage earners is of particular singificance for the dairy industry which contributes a large share of farm income in the northern States of this region. Secretary Wallace states that the concessions made by the United States on dairy products

would be more than offset over any considerable period of time by the increased market for non-farm products.

The dairy industry depends almost entirely on the domestic market, and thus there is a direct relationship between money income of consumers and returns to dairymen, and national action tending to stimulate industrial activity also might be expected to improve the market for dairy products.

The agreement granted concessions to Canada on three dairy items -- cream, cheddar cheese, and dairy cows -- while Canada reduced the duty on American butter from 14 to 12 cents per pound.

The United States concession on a maximum of 1-1/2 million gallons of cream involves a reduction in the duty from 56.6 cents per gallon to 35 cents, but this rate is still higher than the 20 cents per gallon rate which prevailed from 1922-1929. In 1929, with rates ranging from 20 cents to 30 cents, this country imported about 3 million gallons of cream from Canada. Assuming a 40 percent butterfat content, the concession applies to a quantity of cream equal to only 13/100 of one percent of the total butterfat production in the United States.

The duty on Cheddar cheese is reduced from 7 to 5 cents per pound (but not less than 25 percent ad valorem) and is the same rate that was in effect from 1922 to 1930. During the 1922-30 period imports of cheddar cheese from Canada averaged 2,400,000 pounds, or less than one percent of domestic production. Since 1925, cheese production in Canada has declined considerably, and economic limitations exist in the matter of price relationships between Canadian and American cheese which preclude any extensive imports.

The United States duty on dairy cows from Canada was reduced from 3 to 1-1/2 cents per pound. Imports at the lower rate, however, are limited to 20,000 head per year, and any excess will be subject to the former duty.